

GUIDELINES ON CATEGORIES OF SOPHISTICATED INVESTORS

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CONTENTS

	Page
Chapter 1	1
INTRODUCTION	
Chapter 2	2
APPLICABILITY	
Chapter 3	3
RELATED PROVISIONS	
Chapter 4	4
DEFINITIONS	
Chapter 5	5
CATEGORIES OF SOPHISTICATED INVESTORS	

CHAPTER 1

INTRODUCTION

- 1.01 The *Guidelines on Categories of Sophisticated Investors* (Guidelines) are issued by the Securities Commission Malaysia (SC) pursuant to section 377, and should be read together with paragraph 229(1)(a) and paragraph 230(1)(a) of the *Capital Markets and Services Act 2007* (CMSA).
- 1.02 These Guidelines set out the categories of sophisticated investors for purposes of securities laws.
- 1.03 In this regard, these Guidelines set out the relevant criteria for different categories of sophisticated investors.

CHAPTER 2

APPLICABILITY

- 2.01 These Guidelines apply to an issuer of a capital market product or a capital market intermediary who wishes to make available, offer for subscription or purchase, or issue an invitation to subscribe or purchase, a capital market product to a sophisticated investor.
- 2.02 To assist with the interpretation and application of the requirements under these Guidelines, Guidance has been provided, where appropriate. Any departure from the Guidance will be taken into consideration in the SC's assessment on whether a breach of these Guidelines has occurred.

CHAPTER 3

RELATED PROVISIONS

- 3.01 These Guidelines are in addition to and not in derogation of any other requirements provided for under securities laws or any other guidelines issued by the SC.
- 3.02 For avoidance of doubt, compliance with these Guidelines do not relieve any person from other obligations which may be imposed on the person under any other written law or by any other relevant regulator.

CHAPTER 4

DEFINITIONS

Unless otherwise defined, all words used in these Guidelines shall have the same meaning as defined in the CMSA. In these Guidelines, unless the context otherwise requires—

child	includes stepchild of an individual or the individual's spouse, or a child adopted in accordance with any law by the individual or the individual's spouse;
capital market intermediary	means— (a) a Capital Markets Services Licence holder; (b) a registered person; or (c) a person registered under section 76A of the CMSA to provide capital market services;
net value of primary residence	means a value after deducting any outstanding amounts in respect of any credit facility that is secured for the primary residence from the estimated fair market value of the primary residence;
primary residence	means a house, a condominium unit, an apartment or a flat purchased or obtained solely to be used as a dwelling house and includes a service apartment and small office home office (SOHO) where the person lives in most of the time, either in Malaysia or overseas;
sophisticated investor	means a person who is specified as a sophisticated investor in these Guidelines;
total net personal investment portfolio, total net joint investment portfolio	means an individual's total personal or total joint investments (with his / her spouse or child), in capital market products, less any borrowings or other liabilities related to such investments.

CHAPTER 5

CATEGORIES OF SOPHISTICATED INVESTORS

5.01 Subject to paragraph 5.02, for the purposes of securities laws, the following persons are specified to be a sophisticated investor:

(a) Accredited Investor

- (i) A unit trust scheme, private retirement scheme or prescribed investment scheme.
- (ii) Bank Negara.
- (iii) A licensed person or a registered person.
- (iv) An exchange holding company, a stock exchange, a derivatives exchange, an approved clearing house, a central depository or a recognized market operator.
- (v) A corporation that is licensed, registered or approved to carry on any regulated activity or capital market services by an authority in Labuan or outside Malaysia which exercises functions corresponding to the functions of the SC.
- (vi) A bank licensee or an insurance licensee as defined under the Labuan Financial Services and Securities Act 2010 [*Act 704*].
- (vii) An Islamic bank licensee or a takaful licensee as defined under the Labuan Islamic Financial Services and Securities Act 2010 [*Act 705*].
- (viii) A chief executive officer or a director of any person referred to in subparagraphs (iii), (iv), (v), (vi) and (vii) above.
- (ix) A closed-end fund approved by the SC.

(b) High-Net Worth Entity (HNWE)

- (i) A company that is registered as a trust company under the Trust Companies Act 1949 and has assets under its management exceeding ten million ringgit or its equivalent in foreign currencies.
- (ii) A corporation that—
 - (A) is a public company under the Companies Act 2016 which is approved by the SC to be a trustee under the CMSA and has assets under its management, exceeding ten million ringgit or its equivalent in foreign currencies; or
 - (B) is carrying on the regulated activity of fund management solely for the benefit of its related corporations and has assets under its management exceeding ten million ringgit or its equivalent in foreign currencies.
- (iii) A corporation with total net assets exceeding ten million ringgit or its equivalent in foreign currencies based on the last audited accounts.
- (iv) A partnership with total net assets exceeding ten million ringgit or its equivalent in foreign currencies.
- (v) A statutory body established under any law whose function or mandate is investment in capital market products.

Guidance to subparagraph 5.01(b)(v): Statutory body not specified as HNWE

For example, a “joint management body” established under section 17 of the Strata Management Act 2013 will not fall within the meaning of a “statutory body” for the purposes of subparagraph (b)(v), as it is not a statutory body whose function or mandate includes investing in capital market products.

- (vi) A pension fund approved by the Director General of Inland Revenue under the Income Tax Act 1967.

(c) High-Net Worth Individual (HNWI)

An individual—

- (i) whose total net personal assets exceeding three million ringgit or its equivalent in foreign currencies, provided that the net value of the primary residence of the individual contribute not more than one million ringgit of the total net assets;
- (ii) whose total net joint assets with—
 - (a) his or her spouse; or
 - (b) his or her child,exceeding three million ringgit or its equivalent in foreign currencies, provided that the net value of the primary residence of the individual with his or her spouse or child contribute not more than one million ringgit of the total net assets;
- (iii) who has a gross annual income exceeding three hundred thousand ringgit or its equivalent in foreign currencies in the preceding twelve months;
- (iv) who jointly with his or her spouse or child, has a gross annual income exceeding four hundred thousand ringgit or its equivalent in foreign currencies in the preceding twelve months;
- (v) whose total net personal investment portfolio or total net joint investment portfolio with his or her spouse or child, in any capital market products exceeding one million ringgit or its equivalent in foreign currencies;

Guidance to subparagraph 5.01(c)(v)

- (a) The source from which the funds used for such investments is material towards determining the total net investments in capital market products (by the individual or the individual together with spouse or child) which must exceed RM1 million or its equivalent in foreign currencies to be deemed as a HNWI.

Accordingly, to be deemed as a HNWI, an individual must have net investment in capital market products using, his personal funds such as his/her Employees Provident Fund (EPF) Account 1 and personal savings as which exceeds RM1 million.

Illustration 1:

Mohamad withdraws RM500,001 from his EPF Account 1 and adds an additional RM500,001 from his personal savings to invest in a unit trust fund. Mohamad would be deemed to be a HNWI since his total net investments exceeds RM1 million.

Illustration 2:

Mohamad would also be deemed to be a HNWI if he withdraws RM1.1 million from his EPF Account 1 and invests the same in a unit trust fund.

Illustration 3:

Where Mohamad has invested:

- (i) RM600,000 from his EPF Account 1 in a unit trust fund;
- (ii) RM300,000 of his personal savings for the subscription of shares in Company A; and
- (iii) an additional sum of RM200,000 sourced from a personal bank loan for the acquisition of shares in companies listed on Bursa Malaysia Securities Berhad,

Mohamad will not be deemed to be a HNWI notwithstanding that his total investments in capital market products exceeds RM1 million. This is because Mohamad's total net investment portfolio in capital market

products would only amount to RM900,000 (being his total investments of RM1.1 million less the RM200,000 personal bank loan).

(b) The phrase "any capital market products" includes any foreign capital market product.

(vi) who holds any of the following qualifications and has five consecutive years of relevant working experience in finance, economics, actuarial science or accounting—

(A) holds a Bachelor's or Master's degree related to Finance, Economics or Actuarial Science;

(B) holds a Bachelor's or Master's degree in Accounting; or

(C) holds a Master of Business Administration;

(vii) who holds the following membership in the associations as set out below:

(A) Active Member of Chartered Financial Analyst (CFA) Institute;

(B) Chartered Banker of Asian Institute of Chartered Bankers (AICB);

(C) Ordinary Member of Financial Markets Association Malaysia (FMAM);

(D) Chartered Accountant, C.A(M) of Malaysian Institute of Accountants (MIA);

(E) Ordinary Member of Malaysia Association of Tax Accountants (MATA);

(F) Accredited Angel Investor of Malaysian Business Angel Network (MBAN);

(G) Certified Member of Financial Planning Association of Malaysia (FPAM); or

(H) Ordinary Member of Malaysian Financial Planning Council (MFPC); or

(viii) who has five consecutive years of working experience in a capital market intermediary relating to product development, corporate finance, deal advisory, investment management, sales and trading, investment research and advisory, financial analysis, or the provision of training in investment products.

5.02 A sophisticated investor referred to in paragraph 5.01 must self-declare confirming that he satisfies the relevant criteria as set out under paragraph 5.01 at the point of onboarding.